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## INSURANCE | INTERNATIONAL

## China Economy Shaken by Crisis In Real Estate

By J. EDWARD MORENO

Tremors in China's real estate market are shaking the country's economy, as well as the world, which has come to rely on China as a reliable engine of growth.

Major developers are faltering as they face huge losses, struggle with mountains of debt and miss payments to lenders. A long-running building boom that propelled China's growth has come to a halt, threatening the jobs and savings of millions of households. China's markets have tumbled and its currency has weakened as officials take action to spur growth.

Here's what you need to know:

### What's going on with real estate and China's economy?

For decades, China's economy was dependent on a booming real estate sector fueled by population growth. The housing market created jobs and served as a place to store wealth for China's growing middle class. Local governments also depended on revenue from land sales.

But the country's population isn't growing the way it used to, and years of strict Covid-19 restrictions shook Chinese consumers. The government has also cracked down on risky practices in the industry, a combination that has left real estate developers with enormous debt and more new housing units than buyers.

Home prices have slumped, denting households' savings, and confidence, as the government tries to transition from an economy powered by state-directed investments and exports to one led by domestic consumer spending.

### How bad is it?

By one estimate from Gavekal Research, unpaid bills from private Chinese developers total \$390 billion, a major threat looming over the economy.

Economists have downgraded their forecasts for China's economic growth, many to below the government's target of about 5 percent.

Both imports and exports have fallen in recent months, and foreign investment into the country dropped more than 80 percent in the second quarter from a year earlier. Consumer prices in China fell in July for the first time in two years, a sign that Chinese households were spending less.

### What companies are at the center of the crisis?

Country Garden, China's largest real estate developer, said this month that it expected to report a loss of up to \$7.6 billion for the first six months of this year. The company's share price has tanked as investors fear it could default on billions of dollars in loans.

China Evergrande, another major real estate developer, recently filed for U.S. bankruptcy as it restructures its debt. The company defaulted on \$300 billion of debt in 2021, one of the first major signs that China's real estate industry was in trouble.

The sector's troubles are also spreading to China's financial trust companies, which offer investments with higher returns than standard bank deposits and often invest in real estate projects.

### What is China's government doing about all this?

Chinese regulators started cracking down on reckless borrowing in 2020, which forced companies to reduce their debt levels before taking on more debt.

That led to the trouble at heavily indebted developers like Evergrande and Country Garden. More than 50 real estate developers in China have failed to make payments in the past three years, according to Standard & Poor's.

China's central bank on Monday cut its one-year loan rate, which is used for most corporate loans, but left its five-year rate, used to price mortgages, unchanged. Economists had expected more aggressive moves.

### What effect could China's troubles have on the global economy?

Over the past decade, China has been the source of more than 40 percent of global economic growth, compared with 22 percent from the United States and 9 percent from the eurozone, according to BCA Research.

A decline in consumer spending in China hurts companies that do business there, like American technology firms and European luxury goods groups. A weaker Chinese economy also means less appetite for oil, minerals and other building blocks of industry. China is one of the United States' largest trading partners, purchasing billions of dollars of American crops and machinery each year.

Reporting was contributed by Keith Bradsher, Peter S. Goodman, Alexandra Stevenson and Daisuke Wakabayashi.

## Niche in Financial Industry Opens Disaster Insurance

FROM FIRST BUSINESS PAGE  
out \$40 billion to U.S. customers, putting them on track for another record in yearly losses. At every level, the costs of guarding against risk are rising, and everyone, from the leaders of large companies to the owners of homes and small businesses, is feeling the squeeze.

"If you're a C.E.O. or C.F.O. of a mid-market company — we're talking about a 500-unit town-home community in Minnesota — they're talking about reinsurance and the impact that reinsurance has on their bottom line and their profitability," Mr. Kent said.

Prices for reinsurance rose as much as 40 percent on Jan. 1 from a year earlier, according to a report by Gallagher Re, a brokerage firm that puts together reinsurance coverage deals. The price increases jolted insurers, which then made changes to where and for what they offered coverage.

When State Farm announced in May that it would stop accepting new applications for certain policies in California, it cited "a challenging reinsurance market." All-state cited reinsurance costs when it paused some of its activities in California. Last month, reinsurers specializing in agriculture insurance announced that they were pulling out of Iowa, where, three years ago, a severe windstorm caused nearly \$4 billion in damage.

As a result of rising reinsurance costs, insurers also raised prices where regulations allowed. The cost of insuring big new developments of stick-frame housing, the kind springing up at the edges of cities like Denver and Calgary, Alberta, and across the Texas plains, skyrocketed, according to Mr. Kent.

Severe thunderstorms in the United States have caused nearly 70 percent of the losses that insurance companies around the world have incurred this year from nat-



PHILIP CHEUNG FOR THE NEW YORK TIMES



STEVEN SENNE/ASSOCIATED PRESS

ural disasters, according to an Aug. 9 report by the Zurich-based reinsurer Swiss Re. And the weather is not likely to improve.

"We are very likely going to see

2023 be the costliest on record for thunderstorms in the United States," said Steve Bowen, Gallagher Re's chief science officer.

To industry outsiders, it might

Above, ruins from the fires this month in Lahaina, Hawaii, and left, road damage after severe storms and floods last month in Ludlow, Vt. Insurers are facing new uncertainty.

seem strange that so many reinsurance companies, based in different parts of the world, would behave so similarly. But in the insurance industry, such herdlike movements are common, according to Michael Powers, a finance professor at Tsinghua University in China and a former deputy insurance commissioner for Pennsylvania.

"People in the industry tend to be risk averse, they tend to be looking at the same data, they tend to see the world in the same way," Mr. Powers said.

Many industry experts, including Mr. Nutter, think reinsurance prices will stay high for a significant period. They say insurers

## Climate change and inflation raise the cost of covering risk.

may have to raise prices even in places where they meet the most resistance from regulators, who generally review price increases on consumer insurance policies and have the right to block those they determine would generate excessive profits.

As reinsurers pull back, some insurance companies are turning to other methods of securing backup cash. One, the market for catastrophe bonds, lets investors put up money that can be used to cover major-disaster losses in exchange for small regular payments that can add up to an appealing investment return. A total of \$7.1 billion in catastrophe bonds were issued during the second quarter of this year, a record, according to Artemis, a company that tracks the market for the bonds.

But not all reinsurers have backed away from insurers in areas facing increasing risk from natural disasters. The reinsurance business of Berkshire Hathaway, the conglomerate owned by Warren E. Buffett, recently made a \$1 billion deal with Florida's state-run insurer, Citizens Property Insurance Corporation. It is Citizens' largest coverage agreement to date with a single company for traditional reinsurance.

Mr. Powers said that reinsurance prices could come down sooner than most people were expecting and that reinsurers would stay away only for so long before they started to feel that they were missing out.

"People realize the sky hasn't fallen," he said, "and they want to make money."

## Beijing's Central Bank Cuts Key Interest Rate

By KEITH BRADSHER

BEIJING — Stocks in China tumbled on Monday, while the Hang Seng Index in Hong Kong, which also includes many large Chinese companies, tumbled 1.8 percent to its lowest level since November. The Hang Seng has fallen for seven consecutive sessions and is down more than 12 percent in August.

The renminbi closed weaker than 7.3 to the dollar on Monday in Shanghai trading, a level that the Chinese government tried to maintain last November, when the currency was at its weakest since 2007. It weakened even more on Monday in Hong Kong, where trading is less tightly controlled. It took more than 7.335 renminbi to buy \$1 by midafternoon there.

The authorities in Beijing use the country's cash reserves and state-controlled banks to buy and sell currencies in an effort to limit moves in the renminbi's value against the dollar.

The renminbi rebounded a bit in the final minutes of Shanghai and Hong Kong trading. The Chinese government has a long history of intervening in currency markets at the end of trading sessions to prevent closing prices from showing sharp changes.

As a result, many investors view intraday movements of the renminbi, also known as the yuan, as a truer measure of its value.

"The intraday shows you the direction the market wants to take the yuan, and the close is more likely to show you the government's action," said Diana Choyleva, the chief economist at Enodo Economics in London.

The rate cut announced on Monday was intended to make it a little cheaper to borrow money and to make payments on existing loans. But the full effect of the reduction may be delayed because the interest rates on most loans are reset annually, often at the start of each year.

The CSI 300 index of large Chinese companies traded in Shang-

hai and Shenzhen fell 1.4 percent on Monday, while the Hang Seng Index in Hong Kong, which also includes many large Chinese companies, tumbled 1.8 percent to its lowest level since November. The Hang Seng has fallen for seven consecutive sessions and is down more than 12 percent in August.

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**UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK**  
In re: **CELIUS NETWORK LLC et al.**, Chapter 11 Case No. 22-10964 (MG) Debtors. (Jointly Administered)

### NOTICE OF HEARING TO CONSIDER CONFIRMATION OF THE DEBTORS' CHAPTER 11 PLAN AND RELATED VOTING AND OBJECTION DEADLINES

**PLEASE TAKE NOTICE** that on August 17, 2023, the United States Bankruptcy Court for the Southern District of New York (the "Court") entered an order (Docket No. 3337) (the "Disclosure Statement Order") (a) approving the adequacy of the Disclosure Statement for the Joint Chapter 11 Plan of Reorganization of **Celcius Network LLC et al.** (the "Debtors") (Docket No. 3332) (as modified, amended, or supplemented from time to time, the "Disclosure Statement") for the purposes of solicitation, (b) authorizing the Debtors to solicit votes with regard to the acceptance or rejection of the Joint Chapter 11 Plan of Reorganization of **Celcius Network LLC et al.** (as modified, amended, or supplemented from time to time, the "Plan") (c) approving the solicitation materials and documents to be included in the solicitation packages (the "Solicitation Packages") and (d) approving procedures for soliciting, receiving, and tabulating votes on the Plan and for filing objections to the Plan.

**PLEASE TAKE FURTHER NOTICE** that the hearing at which the Court will consider Confirmation of the Plan (the "Confirmation Hearing") will commence on **October 2, 2023 at 2:00 p.m.**, prevailing Eastern Time, or such other time as the Court determines. Thereafter, to the extent additional time is needed, the Confirmation Hearing may continue on the following dates: Tuesday, October 3, 2023; through Friday, October 6, 2023, at 9:00 a.m. (prevailing Eastern Time); Monday, October 16, 2023, at 2:00 p.m. (prevailing Eastern Time); Tuesday, October 17, 2023, through Friday, October 20, 2023, at 9:00 a.m. (prevailing Eastern Time); Monday, October 23, 2023, at 2:00 p.m. (prevailing Eastern Time); Tuesday, October 24, 2023, through Wednesday, October 25, 2023, at 9:00 a.m. (prevailing Eastern Time); Thursday, October 26, 2023, at 1:00 p.m. (prevailing Eastern Time); and Friday, October 27, 2023, at 9:00 a.m. (prevailing Eastern Time). The Confirmation Hearing will take place in a hybrid fashion both in person and via Zoom for Government. Those wishing to participate in the Confirmation Hearing in person may appear before the Honorable Martin Glenn, in the United States Bankruptcy Court for the Southern District of New York, located at One Bowling Green, Courtroom 523 New York, New York 10004, for those wishing to participate remotely, in accordance with General Order M-543 dated March 20, 2020, (as modified, amended, or supplemented from time to time, the "Court's Remote Hearing Policy") (the "Remote Hearing Policy"). Those wishing to appear at the Confirmation Hearing remotely using Zoom for Government. Parties wishing to appear at the Confirmation Hearing, whether making a "live" or "listen only" appearance before the Court, need to make an electronic appearance (a "Court Appearance") through the Court's website at <https://ect.ny.uscourts.gov/gov-hm/ny/nyusdc>. All electronic appearances (Court Appearances) need to be made by **4:00 p.m.**, prevailing Eastern Time, the business day before the Confirmation Hearing (i.e., on **September 29, 2023**) and each business day before the additional Confirmation Hearings.

**PLEASE TAKE FURTHER NOTICE** that on or before August 24, 2023, or as soon as practicable thereafter, the Debtors published notice of the Confirmation Hearing in *The New York Times* (National Edition) and *The New York Times* (International Edition) and on [www.ny.uscourts.gov](https://www.ny.uscourts.gov) (the "Notice"). The Notice shall be deemed to have been given from time to time by the Court and the Debtors without further notice other than by such adjournment being announced in open court, by Agenda Filed with the Court, and/or by a Notice of Adjournment Filed with the Court and served on all parties entitled to vote on the Plan.

**CRITICAL INFORMATION REGARDING OBJECTING TO THE PLAN**  
**Voting Record Date.** The voting record date is **July 24, 2023** (the "Voting Record Date"), which is the date for determining which holders of Class 2 Retail Borrower Deposit Claims, Class 4 Convenience Claims, Class 5 General Earn Claims, Class 6 General Unsecured Claims, Class 7 Withheld Claims, Class 8 Unsecured Loan Claims, Class 9 General Unsecured Claims, Class 10 State Regulatory Claims, and Class 14 Series B Preferred Interests are entitled to vote on the Plan.

**Voting Deadline.** The deadline for voting on the Plan is **September 22, 2023, at 4:00 a.m.**, prevailing Eastern Time, (the "Voting Deadline"). If you received a Solicitation Package, including a Ballot and intend to vote on the Plan, you must: (a) follow the instructions carefully; (b) complete all of the required information on the ballot; and (c) execute and return your completed Ballot according to and as set forth in the voting instructions that are included in the Solicitation Package. The Claims, Notices, and Solicitation Agent retained by the Debtors in these chapter 11 cases (the "Claims, Notices, and Solicitation Agent") on or before the Voting Deadline. A failure to follow such instructions may disqualify your vote.

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**ADDITIONAL INFORMATION**  
The Solicitation Packages are intended to be self-explanatory. If you should have any questions or if you would like to obtain additional solicitation materials (or paper copies of solicitation materials if you received the Solicitation Package electronically), please feel free to contact the Claims, Notices, and Solicitation Agent, by (a) calling the Debtors' restructuring hotline at (855) 423-1530 (Toll Free) or +1 (949) 669-5873 (International); (b) e-mailing the Claims, Notices, and Solicitation Agent at [CelciusInquiries@Stretto.com](mailto:CelciusInquiries@Stretto.com) with a reference to "In re Celcius - Solicitation Inquiry" in the subject line; or (c) writing to the Claims, Notices, and Solicitation Agent at Celcius Inquiries, c/o Stretto 410 Exchange, Suite 100 Irvine, CA 92610. You may also obtain copies of any pleadings filed with the Court for free by visiting the Debtors' restructuring website, <https://cases.stretto.com/Celcius/>, or for a fee via PACER at: <http://pacer.psc.uscourts.gov>. Please be advised that the Claims, Notices, and Solicitation Agent is authorized to answer questions about, and provide additional copies of, solicitation materials, but may not advise you as to whether you should vote to accept or reject the Plan.

**Filing the Plan Supplement.** The Debtors will file the Plan Supplement (as defined in the Plan) on or before **September 8, 2023** and will serve notice on all known Holders of Claims and Interests, the U.S. Trustee, and the 2002 List (regardless of whether such parties are entitled to vote on the Plan Supplement); (b) inform parties that the Debtors filed the Plan Supplement; and (c) list how parties may obtain copies of the Plan Supplement.

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**IMPORTANT INFORMATION REGARDING THE THIRD-PARTY RELEASE**  
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**PLEASE TAKE FURTHER NOTICE** that the hearing at which the Court will consider Confirmation of the Plan (the "Confirmation Hearing") will commence on **October 2, 2023 at 2:00 p.m.**, prevailing Eastern Time, or such other time as the Court determines. Thereafter, to the extent additional time is needed, the Confirmation Hearing may continue on the following dates: Tuesday, October 3, 2023; through Friday, October 6, 2023, at 9:00 a.m. (prevailing Eastern Time); Monday, October 16, 2023, at 2:00 p.m. (prevailing Eastern Time); Tuesday, October 17, 2023, through Friday, October 20, 2023, at 9:00 a.m. (prevailing Eastern Time); Monday, October 23, 2023, at 2:00 p.m. (prevailing Eastern Time); Tuesday, October 24, 2023, through Wednesday, October 25, 2023, at 9:00 a.m. (prevailing Eastern Time); Thursday, October 26, 2023, at 1:00 p.m. (prevailing Eastern Time); and Friday, October 27, 2023, at 9:00 a.m. (prevailing Eastern Time). The Confirmation Hearing will take place in a hybrid fashion both in person and via Zoom for Government. Those wishing to participate in the Confirmation Hearing in person may appear before the Honorable Martin Glenn, in the United States Bankruptcy Court for the Southern District of New York, located at One Bowling Green, Courtroom 523 New York, New York 10004, for those wishing to participate remotely, in accordance with General Order M-543 dated March 20, 2020, (as modified, amended, or supplemented from time to time, the "Court's Remote Hearing Policy") (the "Remote Hearing Policy"). Those wishing to appear at the Confirmation Hearing remotely using Zoom for Government. Parties wishing to appear at the Confirmation Hearing, whether making a "live" or "listen only" appearance before the Court, need to make an electronic appearance (a "Court Appearance") through the Court's website at <https://ect.ny.uscourts.gov/gov-hm/ny/nyusdc>. All electronic appearances (Court Appearances) need to be made by **4:00 p.m.**, prevailing Eastern Time, the business day before the Confirmation Hearing (i.e., on **September 29, 2023**) and each business day before the additional Confirmation Hearings.

**PLEASE TAKE FURTHER NOTICE** that on or before August 24, 2023, or as soon as practicable thereafter, the Debtors published notice of the Confirmation Hearing in *The New York Times* (National Edition) and *The New York Times* (International Edition) and on [www.ny.uscourts.gov](https://www.ny.uscourts.gov) (the "Notice").